MR. D.I.Y. Group (M)

Opening the New Toy Box

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MRDIY is levelling up its toy retail game. At the grand opening of MR.TOY's new concept store in MyTOWN KL, we saw a clear shift from functional to experiential retail with brighter colours, curated displays, and branded zones that resemble modern lifestyle chains like its KKV model (see Exhibits 1-3), offering a breath of fresh air compared toits traditional budget toy format (see Exhibit 4-6 for traditional MR.TOY). While MR.TOY remains a small contributor to earnings, the refreshed format hints at a broader ambition to elevate shopper engagement, improve footfall, and boost basket sizes, and potentially providing a template to refresh the remaining MR.TOY outlets, although it is difficult to quantify earnings potential for now. We maintain our forecasts, but raise TP by 13% to RM2.04 (from RM1.80 as we roll forward our valuation base year to FY26 (from FY25), while keeping an unchanged targeted PER of 26x. Reiterate OUTPERFORM.

We attended the **grand opening of MR.TOY's new concept store** at MyTOWN Shopping Centre in Kuala Lumpur yesterday. Launched in 2019, MR.TOY, Malaysia's first homegrown toy store chain, has been offering a broad range of toys across categories such as vehicles and remote-control toys, sports and outdoor play and party supplies, targeting families seeking fun and affordability, supported by its slogan "Always Low Prices, Always Fun". However, its pace of growth hasn't been as quick as MR.DIY's stores, at around 60 outlets nationwide (out of 1,475 MR.DIY brand stores as of 1QCY25). If the new store format is successful in attracting higher footfall, we believe this could serve as a blueprint to rejuvenate the design of existing MR.TOY stores.

The key takeaways are as follows:

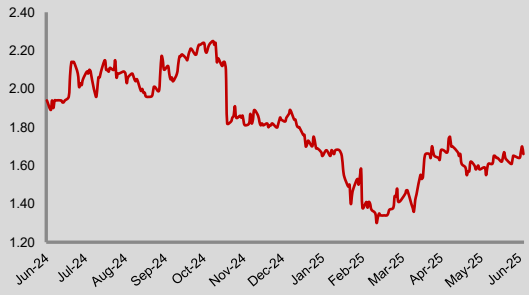
1. **Upgraded store format designed for experience and higher spend.** The new concept store replaces the traditional blue-white-red, functional store layout (see Exhibit 4-6) with a more curated and visually engaging setup. It features improved merchandising, bright yellow zones and clearer IP-based sections (e.g. all Disney items under one label) to enhance navigation, visibility, and emotional connection (see Exhibit 1-3 for comparison). Likely inspired by the KKV model, the vibrant displays, Pop Mart-style glass cases, and blind box toys are designed to increase dwelling time, attract footfall, and drive impulse purchases. We think that this new store design appeals not only to children and younger parents, but also to "kidult" collectors.

2. **Stronger brand presence and SKU mix.** The new format carries a smaller >2,300 SKUs (vs. >3,000 in traditional stores), with over 60% from in-house brands (mainly China-sourced). The rest are from more prominently featured branded IP sincluding established names like Disney and Marvel, and new brand collaborations such as Pop Mart and Fuggler. Without information disclosed on the IPs during the walkabout (such as cost to MR.TOY), it would be difficult to accurately estimate profitability metrics. However, in mitigation, targeted basket size targets are higher (RM40 vs. RM20–RM30), and branded toys are expected to turn faster (1-2 months vs. 3–4 months for in-house MR.TOY SKUs). For comparison, MRDIY's group inventory turnover was 157 days as of FY24. Overarchingly, we believe the strategy could also be to attract more footfall into the shops.

OUTPERFORM ↔

Price: **RM1.66**
Target Price: **RM2.04** ↑

Share Price Performance



KLCI	1,548.99
YTD KLCI chg	-5.7%
YTD stock price chg	-10.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MRDIY MK EQUITY
Market Cap (RM m)	15,722.0
Shares Outstanding	9,471.1
52-week range (H)	2.26
52-week range (L)	1.28
3-mthavg. daily vol.	11,662,810
Free Float	26%
Beta	1.2

Major Shareholders

Bee Family Ltd	50.0%
Employees Provident Fund Board	8.5%
Hyptis	4.9%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	4,651	5,208	5,712
EBIT	835	936	1,053
PBT	763	899	1,017
Net Profit (NP)	569	659	741
Consensus (NP)	-	632	692
Earnings Revision	-	-	-
Core EPS (sen)	6.0	7.0	7.8
Core EPS Growth (%)	1	16	12
NDPS (sen)	5.0	4.4	5.0
BVPS (RM)	0.19	0.22	0.25
Core PER (x)	27.6	23.8	21.2
PBV (x)	8.5	7.5	6.8
Net Gearing (x)	0.1	0.2	0.3
Net Div. Yield (%)	3.0	2.7	3.0

3. **Scalable but selective roll-out.** MRDIY plans to open three to five more MR.TOY concept stores in FY25, including in Ipoh and Selangor. We believe that, given the higher basket size likely requires a more affluent crowd, the initial roll-out will be limited to high-footfall catchment locations. Management does not plan to integrate the new MR.TOY store format into MR.DIY PLUS for now, as the latter already includes a selection of traditional MR.TOY offerings. Separately, MRDIY will introduce a more premium toy store, X11 under the KKV banner at Pavilion Bukit Jalil on 10 July. X11, the largest toy collection store in China, is expected to target a more upscale audience.

Forecasts. Maintained. Assuming MR.TOY's new concept store has the same operating margin as MRDIY as a whole, and given that the capex could be c.30% higher than traditional MR.TOY stores, we expect that revenue would need to be close to 10% higher to maintain the same level of profitability. While MR.TOY's earnings contribution to the group remains small, we believe the new concept store format offers strategic optionality, potentially positioning the brand to capture a wider audience, greater footprint and higher basket size through an improved experience. If well received, it could support longer-term earnings growth and brand equity.

Valuations. We raise our TP by 13% to RM2.04 (from RM1.80) as we roll forward our valuation base year to FY26 (from FY25), with an unchanged targeted PER of 26x. This remains at an 8x multiple premium to the average historical forward PER of its regional peers of 18x to reflect a relatively under-penetrated home improvement market in Malaysia as well as the introduction of the new KKV store format. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like MRDIY for: (i) its dominant position in Malaysia's home improvement market, (ii) its size that translates to strong bargaining position vs. its suppliers, and economies of scale, (iii) its ample headroom for growth in terms of store count, and (iv) its continued efforts to improve operational efficiency such as the introduction of an automated inventory system. Reiterate **OUTPERFORM**.

Risks to our call include: (i) unfavourable forex trends, (ii) volatile supply and logistics, and (iii) elevated inflation putting a dent in consumer spending power.

Exhibit 1: MR.TOY's new store concept @ MyTOWN KL – bright, modern layout with vibrant yellow framing

Source: Kenanga Research

Exhibit 2: Dedicated branded merchandise zone with thematic displays

Source: Kenanga Research

Exhibit 3: Clearly labelled branded sections and curated blind box offerings

Source: Kenanga Research

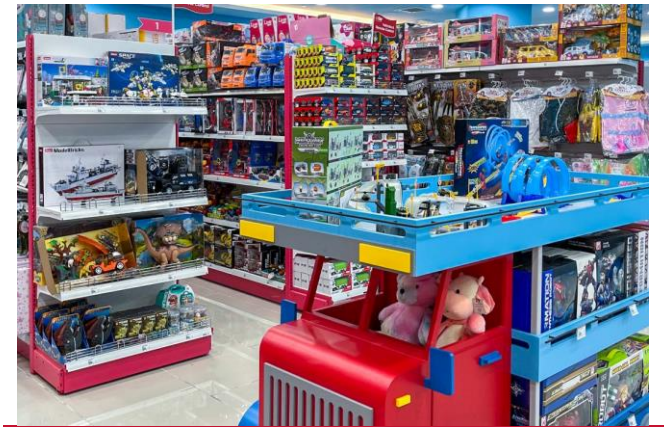
Exhibit 4: Traditional MR.TOY storefront at AEON Mall Taman Maluri – simple, functional design

Source: Kenanga Research

Exhibit 5: Conventional store layout featuring dense shelving and mixed product categories

Source: MyTOWN Shopping Centre (Old MR.TOY Store)

Exhibit 6: Basic product arrangement focused on function over experience



Source: MyTOWNShopping Centre(Old MR.TOY Store)

Income Statement

FYE Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	3,986	4,359	4,651	5,208	5,712
EBITDA	967	1,124	1,170	1,305	1,446
Depreciation	266	304	335	370	392
Operating Profit	701	820	835	936	1,053
Other Income	24	30	43	52	57
Interest Exp	(63)	(70)	(79)	(45)	(44)
Associate	0	0	0	0	0
Exceptional Items	0	0	0	0	0
PBT	641	753	763	899	1,017
Taxation	(168)	(192)	(194)	(225)	(254)
Minority Interest	0	0	0	(16)	(22)
Net Profit	473	561	569	659	741
Core Net Profit	483	561	575	659	741

Balance Sheet

FYE Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	682	827	638	531	426
Intangible Assets	7	8	6	4	2
Other FA	1,241	1,266	1,266	1,266	1,266
Inventories	1,100	1,084	1,147	1,292	1,417
Receivables	134	107	114	127	140
Other CA	21	26	27	30	33
Cash	138	232	450	655	882
Total Assets	3,324	3,551	3,647	3,905	4,166
Payables	173	189	189	189	189
ST Borrowings	178	199	199	199	199
Other ST Liability	369	253	253	253	253
LT Borrowings	1,141	1,135	1,135	1,135	1,135
Other LT Liability	29	30	30	30	30
Minorities Int.	-	-	-	16	38
Net Assets	1,433	1,745	1,841	2,084	2,323
Share Capital	317	333	333	333	333
Reserves	1,116	1,413	1,508	1,751	1,990
Equity	1,433	1,745	1,841	2,084	2,323

Cashflow Statement

FYE Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	443.0	971.9	934.9	881.7	1014.4
Investing CF	-209.9	-245.7	-168.5	-260.4	-285.6
Financing CF	-294.7	-628.4	-720.6	-416.3	-501.4

Financial Data & Ratios

FYE Dec	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Turnover	18.2	9.4	6.7	12.0	9.7
EBITDA	10.7	16.2	4.2	11.5	10.8
Operating Profit	8.6	17.0	1.9	12.0	12.6
PBT	9.4	17.4	1.3	17.8	13.1
Core Net Profit	11.9	16.0	2.6	14.5	12.4
Profitability (%)					
EBITDA Margin	24.3	25.8	25.2	25.1	25.3
Operating Margin	17.6	18.8	18.0	18.0	18.4
PBT Margin	16.1	17.3	16.4	17.3	17.8
Core Net Margin	12.1	12.9	12.4	12.7	13.0
Effective Tax Rate	-26.3	-25.6	-25.4	-25.0	-25.0
ROA	14.5	15.8	15.8	16.9	17.8
ROE	33.7	32.1	31.3	31.4	31.4
DuPont Analysis					
Net Margin (%)	12.1	12.9	12.4	12.7	13.0
Assets Turnover (x)	1.2	1.2	1.3	1.3	1.4
Leverage Factor (x)	2.3	2.0	2.0	1.9	1.8
ROE (%)	33.7	32.1	31.3	31.4	31.4
Leverage					
Debt/Asset (x)	0.1	0.1	0.1	0.1	0.0
Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1
Net Debt/(Cash)	(192)	30	247	452	679
Net Debt/Equity (x)	-0.1	0.0	0.1	0.2	0.3
Valuations					
EPS (sen)	5.1	5.9	6.01	7.0	7.8
GDPS (sen)	2.4	3.2	5.0	4.4	5.0
BV/Share (RM)	0.15	0.18	0.19	0.22	0.25
PER (x)	32.5	28.0	27.6	23.8	21.2
Gross Div. Yield (%)	1.4	1.9	3.0	2.7	3.0
P/BV (x)	11.0	9.0	8.5	7.5	6.8
EV/EBITDA (x)	16.0	14.0	13.6	12.4	11.3

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AEON CO. (M) BHD	MP	1.41	1.45	2.8%	1,979.6	Y	12/2025	10.7	11.5	-0.7%	8.0%	13.2	12.3	1.0	7.6%	5.0	3.5%
FARM FRESH BHD	OP	1.82	2.10	15.4%	3,415.3	Y	03/2026	7.5	8.5	29.2%	13.0%	24.3	21.5	4.2	18.2%	3.0	1.6%
FRASER & NEAVE HOLDINGS BHD	OP	29.00	31.95	10.2%	10,636.6	Y	09/2025	157.7	169.6	2.5%	7.5%	18.4	17.1	2.7	15.5%	75.0	2.6%
MR D.I.Y. GROUP (M) BHD	OP	1.66	2.04	22.9%	15,722.0	Y	12/2025	7.0	7.8	14.5%	12.4%	23.8	21.2	7.5	33.6%	4.0	2.4%
NESTLE (MALAYSIA) BHD	MP	80.00	79.10	-1.1%	18,760.0	Y	12/2025	197.8	231.6	16.0%	17.1%	40.4	34.5	27.2	68.2%	190.0	2.4%
PADINI HOLDINGS BHD	OP	2.08	2.45	17.8%	2,052.7	Y	06/2025	17.7	18.1	19.2%	2.3%	11.8	11.5	1.7	14.7%	9.8	4.7%
POWER ROOT BHD	UP	1.36	1.20	-11.8%	576.6	Y	03/2026	7.7	8.2	6.9%	5.6%	17.6	16.7	2.0	11.5%	7.0	5.1%
QL RESOURCES BHD	MP	4.58	4.52	-1.3%	16,718.4	Y	03/2026	13.3	14.5	6.7%	8.7%	34.4	31.6	4.6	15.4%	5.0	1.1%
KAREX BHD	OP	0.725	0.900	24.1%	763.8	Y	06/2025	1.3	3.6	-40.2%	169.3%	54.5	20.3	1.6	2.9%	1.0	1.4%
SECTOR AGGREGATE					**70,625.0**					**9.9%**	**11.4%**	**26.2**	**23.5**	**4.7**	**17.9%**		**2.8%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★	☆	
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent & Waste Management	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Use of Biodegradable Materials	★	★	★		
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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Published by:

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